

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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LAB-04 SIL-01 OMB-01 AGR-05 FEA-01 DODE-00 PA-01

USIA-06 PRS-01 STR-04 CEA-01 /066 W

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R 072202Z APR 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 7798

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN SALVADOR 1337

E.O. 11652: N/A

TAGS: ETRD; XK; NU; ES

SUBJECT: STATUS OF EL SALVADOR/NICARAGUA PROBLEMS ON TRADE RESTRAINTS

REF: A. MANAGUA 0833; B. SAN SALVADOR 0785

GUATEMALA ALSO FOR ROCAP

1. REFTTEL B. REPORTED THE INTENTION OF EL SALVADOR, IF NOT ALSO GUATEMALA, TO TERMINATE AS OF MARCH 15 ITS "SELF-REGULATION" OF EXPORTS TO NICARAGUA. AT THE FEBRUARY 20-22 MEETING OF CA ECONOMIC MINISTERS, MINISTER HIDALGO QUEHL SAID HE MADE KNOWN THE GOES' REPUDIATION OF THE POST-MANAGUA EARTHQUAKE AGREEMENT. SUBSEQUENTLY THERE HAS OCCURRED A GOOD BIT OF SHUTTLEING BACK AND FORTH BETWEEN SAN SALVADOR AND MANAGUA AS THE GOES SOUGHT TO FULFILL ITS INTENTION. THE GOES DID OBTAIN A GON RECOGNITION OF FREE ACCESS ON ALL TRADE EXCEPT FOR THE THREE SENSITIVE GROUPS. ON THESE --APPAREL, SHOES, CLOTH-- THE MOST IT OBTAINED WAS A GON INCREASE OF AN AVERAGE 20 PERCENT BY VALUE OF PERMISSIBLE

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IMPORTS FROM EL SALVADOR OF APPAREL, SHOES AND TEXTILE CLOTH.

VICE MINISTER FOR INTEGRATION AND TRADE, LIC. CARLOS VALENCIA, TOLD ECONOFF APRIL 4 THE GOES DID NOT CONSIDER THE MATTER CLOSED AND WOULD SEEK LIBERALIZATION OF THE RESTRICTIONS WHEN THEY ARE DISCUSSED, BY AGREEMENT, ON A QUARTERLY BASIS. THE ENTIRE MATTER IS SCHEDULED FOR REVIEW BEFORE DECEMBER 31 AND RESTRAINTS ARE TO END BY FEBRUARY 28, 1976. HE SAID THE LATEST GON LIBERALIZATION PROVIDED THE FOLLOWING VALUE PERCENT INCREASES: FOR EL SALVADOR FOR GUATEMALA

	PERCENT	NEW ANNUAL	PERCENT
		DOLLAR LEVEL	
APPAREL	20	2,540,000	NONE
SHOES	18	2,000,000	5
TEXTILE(PLAIN)	20	2,880,000	20
(CIRCULAR E.G.			
POLYESTER)	20	520,000	20

2. PARTICULARLY CRITICAL, ACCORDING TO VALENCIA, IS THE RESTRICTION ON POLYESTER TRADE. HE SAID THE GOES KNOWS OF NO POLYESTER PRODUCTION IN NICARAGUA AND THUS THAT COUNTRY IS EL SALVADOR'S BEST AND LOGICAL MARKET, SINCE COSTA RICA AND GUATEMALA BOTH PRODUCE IT.

3. VALENCIA SAID THE GOES EFFORTS HAD NOT BEEN COORDINATED WITH THE GOG AND THAT HE WAS TOLD THE GOG WAS ACCEPTING THE LATEST INCREASE. HE SAID NO RESTRAINTS PRESENTLY EXIST ON EXPORTS TO COSTA RICA.

4. DURING THE RECENT MEETINGS THE GON COMPLAINED THAT EL SALVADOR WAS NOT PURCHASING A SUFFICIENT QUANTITIES OF NICARAGUAN POWDERED MILK OR PVC. VALENCIA SAID THE STATISTICS PROVED THIS ACCUSATION FALSE. DATA COMPARISONS APPARENTLY PLAGUED THE DISCUSSIONS AND THE GOES STILL COMPLAINS THAT THE GON HAS FAILED TO PRODUCE THE STATISTICS REQUESTED CONCERNING TRADE IN THE SENSITIVE ITEMS.

5. COMMENT: THE SALVADORAN "SELF-REGULATION" OF EXPORTS TO NICARAGUA HAD BEEN REPUDIATED, BUT THAT CLEARLY DOES NOT PRODUCE MARKET ACCESS AS GOES NEGOTIATORS HAVE LEARNED. THE SLACK DEMAND FOR TEXTILES, ESPECIALLY IN THIRD MARKETS, HAS MADE THIS ISSUE ALL THE MORE HEATED. YET SALVADORAN TEXTILE REPRESENTATIVES ARE NOT VOCALIZING CRITICISM OVER WHAT WAS A LIMITED OFFICIAL USE

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VALIANT IF UNSUCCESSFUL ATTEMPT BY THE GOES TO OVERCOME THIS REGIONAL TRADE IMPEDIMENT. AT LEAST FOR NOW THERE IS NO SERIOUS CONSIDERATION OF COUNTER-MEASURES, BUT THE CONTINUING RESTRAINTS WILL AGGREGATE CACM RELATIONSHIPS AT A TIME WHEN MAXIMUM GOOD WILL IS NEEDED FOR CONSIDERATION OF THE DRAFT TREATY FOR CACM RESTRUCTURING.

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Message Attributes

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